SAMALIN INVESTMENT COUNSEL

FINANCE FOCUS

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Dispelling Myths about 529 Plans

MYTH 1: You have to contribute to a 529 in your home state. That statement is false with regard to 529 college-savings plans, in which money is invested in a portfolio of securities on behalf of a beneficiary. Any U.S. resident can contribute to a 529 college-savings plan in any state. Contributing to a plan offered by your home state might offer an added bonus in the form of a state income tax deduction, but that shouldn't be your sole consideration. If your state's plan is poor (with high fees and poor investment options, for example) looking at plans outside your state might be worth forgoing the tax break.

MYTH 2: You have to send your child to a school in the state where his 529 plan is offered. Also false. A 529 college-savings plan is fully portable, meaning that assets can be used for college expenses in any state and at some institutions abroad regardless of which state's plan holds the account.

MYTH 3: You can only get a tax deduction if you contribute to your state's plan. Usually true, but not always. In fact, residents of Arizona, Kansas, Maine, Missouri, and Pennsylvania get a state income tax break on 529 contributions made to any state's plan. Elsewhere the benefit is restricted to contributions to in-state plans, with deduction limits varying from state to state and some states offering tax credits.

MYTH 4: If you save in a 529 account for your child, it will hurt his financial aid prospects. Possibly, but not as much as you might think. Yes, financial aid calculations generally do take into consideration 529 assets, but money in a 529 account owned by the parents or a dependent student counts far less than assets owned by the student outside a 529. In fact, non-529 student-owned assets carry more than 3 times more weight in financial aid calculations than do assets held in the parents' names. So no, 529 accounts aren't completely impact-free when it comes to financial aid, but the impact is relatively minor.

MYTH 5: If your child doesn't go to college, you'll lose the money. Unused 529 money does not have to go to waste, or to the tax collector. It can be used to help pay another family member's college costs simply by changing beneficiaries or transferring funds to the family member's existing 529 account. And the list of potential recipients is rather long, including siblings, first cousins, parents, grandchildren, aunts and uncles, and even in-laws. If you do decide to cash out the plan, you'll have to pay federal and state ncome taxes on earnings, plus a 10% penalty (waived if the beneficiary dies, becomes disabled, or gets a scholarship).

MYTH 6: All 529 plans are the same. This is a potentially costly mistake some investors make. Like many investment products, 529 plans may look similar from the outside, but once you get under the hood you'll find major differences that determine how effective they can be at helping you meet your college savings goals. Fees, fund offerings, glide path (the rate at which the asset allocation switches from equities to fixed-income in age-based portfolios), and even ease of use vary from plan to plan. Fees, in particular, can have a corrosive effect on 529 assets, and can vary not only from state to state but also within the same plan. 529 plans are tax-deferred college savings vehicles. Any unqualified distribution of earnings will be subject to ordinary income tax and subject to a 10% federal penalty tax. Tax law is ever-changing and can be quite complex. It is highly recommended that you consult with a financial or tax professional with any tax-related questions or concerns. An investor should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing. More information about municipal fund securities is available in the issuer's official statement, and the official statement should be read carefully before investing.

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The Risks of Over-Allocated Funds

Exposure to concentrated investments may increase the overall risk of a portfolio. As a rule of thumb, if a fund holds more than 30% of assets in one sector, you may be putting all those eggs in one basket. Take, for example, the dot-com bubble. Investors who loaded up on rapidly growing Internet investments probably lost a considerable amount of money when the bubble burst.

It is also important to consider the extent a fund is vested in its top investments. For example, if 25% of its assets are in the top three holdings, or a fund consists of 40 or fewer holdings, the fund could be a higher risk. Funds with investments concentrated in one country can be a risky proposition as well. A fund manager not only must pick good investments but also runs the risk of a souring economy. Country-specific risks become even more prominent when a fund involves investments in emerging markets. These economies are generally subject to a variety of risks that can drive holdings southbound.

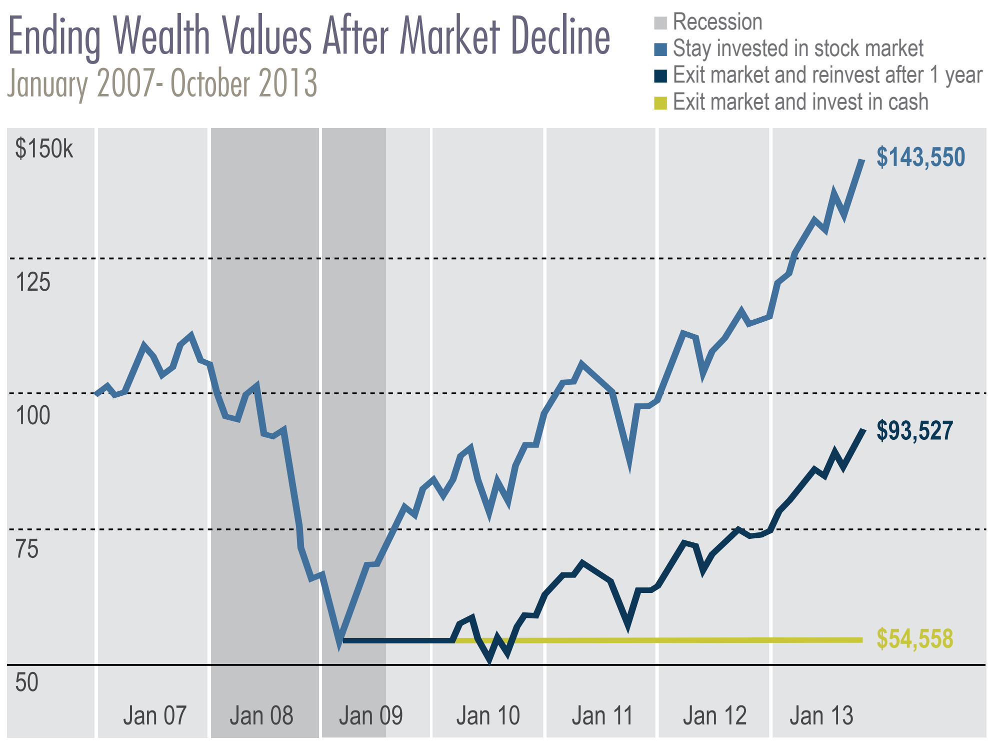
Concentrated investing is not for the casual or risk averse. You can be exposed to substantially greater losses than those in the overall market, so be sure to evaluate a fund's holdings to determine the level of risk inherent when investing. Keep in mind that diversification does not eliminate the risk of experiencing investment losses.

International investments involve special risks such as fluctuations in currency, foreign taxation, economic and political risks, and differences in accounting and financial standards.

Keep in mind that concentrated investments are narrowly focused investments that typically exhibit higher volatility than the market in general. These investments will fluctuate with current market conditions and may be worth more or less than the original cost upon liquidation.

The Importance of Staying Invested

Investors who attempt to time the market run the risk of missing periods of positive returns. The image illustrates the value of a $100,000 investment in the stock market from Jan. 2007 to Oct. 2013, which included the global financial crisis and the recovery that followed. The value of the investment dropped to $54,381 by Feb. 2009 (the trough date). If an investor remained invested in the stock market, the ending value would be $143,550. If the same investor exited the market at the bottom to invest in cash for a year and then reinvest in the market, the ending value would be $93,527. An all-cash investment would have yielded only $54,558. The continuous stock-market investment recovered its initial value over the next three years, and provided a higher ending value than the other two strategies. Investors are well advised to stick with a long-term approach to investing.



Source: The market is represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. Cash is represented by the 30-day U.S. Treasury bill. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs. Returns and principal invested in stocks are not guaranteed. Stocks have been more volatile than bonds or cash. Holding a portfolio of securities for the long term does not ensure a profitable outcome and investing in securities always involves risk of loss.

The End of the Recession

In September 2010, the National Bureau of Economic Research announced the long-awaited news: an end date for the recession that had begun in December 2007. The NBER determined the official end date as June 2009, quieting down (if not completely silencing) double-dip fears. NBER defines a recession as a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale retail sales. Looking back at the performance of the main asset classes during the recession and in the years following the official end date, gold was the best overall performer, and long-term government bonds offered consistent positive returns. Out of the investments with the worst performance during the recession, REITs posted the most impressive return in the four post-recession years.

Returns During and After the Most Recent Recession

	Recession Dec. 2007 to June 2009*	Aftermath Jul. 2009 to Oct. 2013*
Gold	19.3%	41.7%
Long-term government Bonds	8.4%	33.0%
Treasury bills	1.9%	0.3%
Small stocks	-33.8%	147.9%
Large stocks	-35.5%	109.4%
International stocks	-39.7%	65.8%
REITs	-48.1%	159.9%

**Returns in table represent cumulative returns during time periods indicated, not annualized returns.*

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Holding a portfolio of securities always involves risk of loss. International investments involve special risks such as fluctuations in currency, foreign taxation, economic and political risks, such as risks associated with general and local economic conditions, interest rate fluctuation, credit risks, liquidity risks and corporate structure. Small stocks are more volatile than large stocks, are subject to significant price fluctuations, business risks, and are thinly traded. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as the timely payment of principal and interest while stocks, REITs, and gold are not guaranteed.
Source: Gold—Wall Street Journal P.M. closing price. Long-term government bonds—20-year U.S. government bond. Treasury bills–30-day U.S. Treasury bill. Small stocks—Ibbotson®Small Company Stock Index. Large stocks—Standard & Poor's 500® Index, an unmanaged group of securities considered to be representative of the U.S. stock market. International stocks—Morgan Stanley Capital International Europe, Austra Asia, and Far East (EAFE®) Index. REITs—FTSE NAREIT All Equity REITs Index®.

Financial Planning for Women

Financial planning may present different challenges for women as opposed to men for various reasons. Knowing these challenges, when and if they are likely to occur is crucial for women to successfully manage income, expenses, retirement planning, college planning for children, and any other money matters that need attention.

Challenge 1: Women tend to live longer than men. According to 2009 data from the Centers for Disease Control, remaining life expectancy for a 65-year old woman is 20.3 years, as opposed to only 17.6 years for a 65-year-old man. This may mean that not only do women need to accumulate more assets for retirement, but also that they need to manage these assets much more carefully in retirement in order to make them last for a longer period of time. It is, therefore, paramount for women to begin contributing to a retirement account as soon as possible. According to the Department of Labor's "Women and Retirement Savings" publication, only 45% of the 62 million women (age 21 to 64) working in the United States participate in a retirement plan. This is probably one of the worst financial-planning mistakes you can make. If your workplace offers a 401(k) plan, you should start contributing as soon as you receive your first paycheck, and make sure you're contributing enough to take advantage of the employer match.

Challenge 2: Women are more likely than men to work part-time, which means they may not be eligible for benefits (such as retirement-plan participation). If a 401(k) isn't an option, consider an Individual Retirement Account (IRA) instead. A traditional IRA gives you the benefit of tax deferral, meaning that your assets will be able to grow tax-free until you begin withdrawing in retirement. A Roth IRA is not tax deferred, but may offer other advantages. Conduct the necessary research and consult a financial advisor to determine which type of retirement account is the best option for you.

Challenge 3: Women, in general, earn less than men. Median income for men was $48,202 in 2011, compared with only $37,118 for women (Current Population Reports: Income, Poverty, and Health Insurance Coverage in the United States, September 2012, U.S. Census Bureau). This also puts women at a significant disadvantage financially, especially if they're single, widowed, or divorced and don't enjoy the security of a dual-income household. Precisely because they earn less, women have to be more disciplined about saving and investing. Make a realistic budget to assess your financial situation. Control your expenses as much as you can, and invest the rest. No matter how tiny it may seem, every little dollar you put aside today counts.

Challenge 4: Women tend to take more breaks from the workplace and have shorter job tenure, since they are most often the primary caregivers for children and also elderly relatives. This makes it difficult to get back into the workforce (and at the same pay level). The most important thing is safeguarding your retirement savings. No matter how tempted you might be, do not cash out your 401(k). If you do, you will not only pay taxes, but you'll also incur early-withdrawal penalties. Instead, consider rolling your 401(k) over into an IRA, and do the necessary research before you begin this process.

401(k) plans are long-term retirement savings vehicles. Withdrawal of pre-tax contributions and/or earnings will be subject to ordinary income tax and, if taken prior to age 59 1/2, may be subject to a 10% federal tax penalty. Funds in a traditional IRA grow tax-deferred and are taxed at ordinary income tax rates when withdrawn. Contributions to a Roth IRA are not taxdeductible, but funds grow tax-free, and can be withdrawn tax free if assets are held for five years. A 10% federal tax penalty may apply for withdrawals prior to age 59 1/2. Please consult with a financial or tax professional for advice specific to your situation. Investing in securities always involves risk of loss, including the risk of losing the entire investment.

DO YOU HAVE A JOB-LOSS SAFETY NET?

***"What are the chances that I'll lose my job?"** Unless you're a retiree, a tenured college professor, or the owner of a business, that question has probably passed through your mind at least a few times over the recent years. Even if you're confident about the security of your current position, it never hurts to put in place a good safety net. Some of the primary steps are outlined below.*

Build Up Your Emergency Fund

Having an emergency fund in place can help if you suddenly find yourself unemployed. Moreover, an emergency fund can also be helpful for unexpected and unreimbursed medical expenses, big-ticket auto and home repairs, etc. Conventional financial-planning wisdom has long held that you should keep three to six months' worth of living expenses in highly liquid accounts like checking or savings accounts, certificates of deposit (CDs), money market accounts or moneymarket mutual funds, but the recent financial crisis illustrates that figure is probably too low. Wouldn't you like to have more than three months to find a new job if you lost yours.

Consider a Roth IRA for Retirement Savings

You can't put your life—and your long-term financial goals—on hold just because you're worried about job loss. But you can be strategic about what you sink your money into, and that means focusing on those investments with the fewest strings attached in case you need to make a withdrawal. Rather than saving within the confines of your company retirement plan or a traditional IRA, where you'll pay taxes and penalties if you need to withdraw your assets prematurely, consider deploying fresh retirement dollars into a Roth IRA instead. With a Roth IRA you can withdraw your contributions tax-free at any time (the early withdrawal penalty, however, may still apply). And because you're contributing aftertax dollars, you won't have to pay taxes on your earnings from year to year or upon withdrawal during retirement. Please keep in mind that income limits do apply—talk to your financial advisor to see if you're eligible.

Pay Down Costly Forms of Debt

If you already have expensive types of debt such as credit cards and are concerned about job security, the first thing to do is to reduce that burden as soon as you possibly can. Credit card companies are the last folks you want to mess around with if you find yourself in a financial bind, as they're able to raise your rates if you're late on a payment.

Be a Commitment-Phobe

While service providers—particularly purveyors of cable TV, Internet, and telephone service—will offer you a lower rate if you sign a contract of a year or more, be sure to weigh those lower rates against the risk that you'll lose your job. If you're concerned about job security, read the fine print on any contracts to see what it would cost you to get out of the agreement in a pinch.

Contemplate Refinancing

If you haven't refinanced your primary mortgage to take advantage of currently low rates, it's time to have someone run the numbers. As with any type of financing, it's better to shop for a mortgage while you're employed than when you are not.

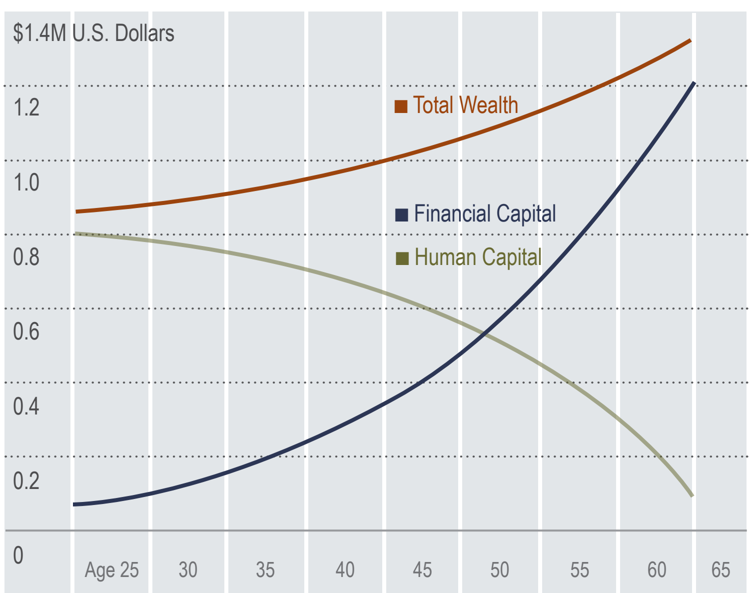
Take Advantage of the Perks You Have

Have you had a physical lately? Do you need new glasses or contacts? Are you overdue for a visit to the dentist? If so, it's time to make some appointments. Chances are you're paying decent-sized premiums for the insurance you have through your employer, so it pays to take advantage of all your perks while you still have them.

Understanding Financial Capital and Human Capital

When calculating total wealth, it is important to consider not only financial capital, but human capital as well. Financial capital refers to an individual's total saved assets, while human capital refers to the individual's future potential savings from income earned. Looking at financial capital in isolation for retirement planning is incomplete without also considering human capital. Initially, an individual has higher human capital and lower financial capital. Over time, accumulation in savings increases financial capital, while human capital declines as the individual reaches retirement. Certain life events trigger significant changes in financial capital, such as receiving an inheritance, and in human capital, such as going back to school or receiving a promotion at work. Individuals should keep this in mind when planning their financial goals.

Financial Capital, Human Capital, and Total Wealth Over Time



Source: Roger G Ibbotson, Moshe A. Milevsky, Peng Chen, CFA, Kevin X. Zhu. Lifetime Financial Advice: Human Capital, Asset Allocation, and Insurance, Research Foundation of CFA Institute, 6 April 2007.

5 Lessons from the Three-Year Market Rally

...now a four-year market rally, but the lessons are still relevant.

1. The turning point is not always obvious. In hindsight, it seems like it should have been dead obvious that stocks were cheap four years ago. But, because of their inability to clearly identify market bottoms, investors may be better off sticking with a strategic asset-allocation plan.

2. Don't let past performance control your portfolio. To the extent that you can, let your strategic asset-allocation framework be a key driver of where you deploy new cash.

3. To help maximize participation, make a little room for the risky stuff. Even though higher-quality stocks tend to hold up better during downturns, the opposite tends to be true during recoveries. Investors may want to maintain exposure to both types of companies: high quality, wide-moat dividend payers and economically sensitive small- and mid-caps.

4. But there are also chicken ways to play. You don't need to pile on the risk to generate robust gains in absolute terms. Investors who have shorter time horizons or are simply more comfortable with lower-risk stocks can reasonably allocate more toward such stocks without completely ceding their upside potential.

5. There will be bumps (and buying opportunities) along the way. The movement hasn't always been upward since the market bottomed. If your portfolio is light on stocks at the outset of a rally, periodic sell-offs may provide opportunities even at a later time.

Diversification and asset allocation do not eliminate the risk of investment losses. Stocks are not guaranteed and have been more volatile than other asset classes. Small stocks are more volatile than large stocks, are subject to significant price fluctuations and business risks, and are thinly traded. This should not be considered financial planning advice. Please consult a financial professional for advice specific to your individual circumstances.

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ABOUT SICOUNSEL

Samalin Investment Counsel, LLC (SICounsel) is a fee-only, nationally recognized SEC registered investment advisory firm. With offices in Chappaqua NY and NYC, we specialize in wealth management, pre and post divorce financial planning, retirement planning, and other related financial services.

A Brief Overview of ETF Providers

The exchange-traded fund industry has come a long way since the first ETF, SPDR S&P 500, was launched in 1993. U.S. ETFs closed August 2013 with just over $1.49 trillion in total net assets.

An ETF is a passively managed index fund that strives to achieve a return similar to that of a particular market index. There are many factors that contributed to the increase in popularity of ETFs, including trading flexibility, lower expense ratios, tax efficiency with regard to capital gains distributions and, more importantly, potential diversification benefits. By buying a single unit of an ETF, investors can get exposure to all the securities that make up the related index—for example, the S&P 500. Here is a quick look at the three major providers in the industry.

iShares is the largest ETF provider in the world, with a 39.4% current market share and $587 billion in assets as of August 2013. It was acquired by money manager BlackRock in 2009, and the impact of this transaction might have been seen in the recent SEC filing to launch its own actively-managed ETFs. iShares is best known for a varied and large product lineup, with a suite of ETFs that invest in municipal bonds, treasuries, and specific countries. In September 2010, iShares launched three new country-specific emerging-markets ETFs for China, Brazil, and the Philippines.

SPDR State Street Global Advisors manages the SPDRs family of ETFs and is best known for sector funds that track the S&P 500's sectors, including the most heavily traded ETF, SPDR S&P 500, as well as high-yield bond and mortgage ETFs. As of August 2013, it has approximately 22.7% of the total market share of the ETF industry, with $338 billion in assets.

Vanguard is the third-largest provider of ETFs in terms of assets under management. It has aggressively increased its market share in the past few years, with a 1.5% increase during the past year, and it currently has a 19.4% market share as of August 2013. It is best known for having some of the lowest expenses among the industry's major players and has launched ETFs based on Russell indexes, as well as expanded its suite of equity indexes, while offering lower-priced alternatives.

All the major ETF providers have offerings that suit the needs of a variety of investors. When deciding which ETF to invest in, consider important factors like expense ratios and brokerage commissions, since these can reduce the returns on any portfolio. In addition, make sure that your overall investment portfolio is diversified and that ETF investments are only used to complement existing investments, not replace them.

Diversification does not eliminate the risk of experiencing investment losses.

Top 10 ETF Providers by Market Share August 2013

Name	Market Share (%)
iShares	39.4
SPDR State Street Global Advisors	22.7
Vanguard	19.4
PowerShares	4.9
Wisdom Tree	1.9
ProShares	1.8
Market Vectors	1.5
Guggenheim Investments	1.1
First Trust	0.9
Schwab ETFs	0.9

Source: Morningstar Fund Flows, Morningstar Direct

Holding an exchange-traded fund does not ensure a profitable outcome and all investing involves risk, including the loss of the entire principal. Since each ETF is different, investors should read the prospectus and consider this information carefully before investing. The prospectus can be obtained from your financial professional or the ETF provider and contains complete information, including investment objectives, risks, charges and expenses. ETF risks include, but are not limited to, market risk, market trading risk, liquidity risk, imperfect benchmark correlation, leverage, and any other risk associated with the underlying securities. There is no guarantee that any fund will achieve its investment objective. In addition to ETF expenses, brokerage costs apply. Fees are charged regardless of profitability and may result in depletion of assets.